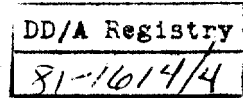


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DEC 9 1981

MEMORANDUM TO: See Attached List

FROM: Associate Deputy Administrator
for Administration

DD/A REGISTRY
FILE: 02M

SUBJECT: Assistant Secretaries for Management Group (ASMG)

The joint ASMG-President's Council on Integrity and Efficiency meeting was held on November 30 - December 1. As my November 20 letter indicated, the meeting was designed to foster better working relationships with the Inspectors General. The meeting definitely achieved that objective.

A current project exemplifies the approach that the Office of Management and Budget (OMB) is stressing. OMB Circular A-123, Internal Control Systems, assigns certain responsibilities to agency heads and Inspectors General (or the senior audit official where there is no Inspector General). At the joint meeting, OMB emphasized that close cooperation between agency administrators and senior audit officials is a prerequisite to successful implementation of the Circular. In particular, OMB referenced paragraph 8.e. and the requirement for vulnerability assessments. The preparation of a plan for vulnerability assessments was recommended as a prime candidate for joint efforts between administrators and audit officials.

While the Circular appears to be specifically oriented toward accounting and finance controls, OMB explained that the Circular's intent was to encompass the broader range of programmatic issues. You should not restrict your approach to A-123 to strictly financial matters. I understand that OMB will shortly issue clarifying instructions.

For your reference, a copy of the "Instructions for Joint Effort Workshops," which contains a list of participants, is enclosed. For those agencies not represented, copies of the "Overview of Management Improvements Efforts" and the "Inspector General Information Exchange System for Designated Grantees" are also enclosed.

Several of you expressed an interest in a group meeting. While a December meeting is not feasible, a meeting in early 1982 would seem to be in order. Your comments and suggestions for the meeting are most welcome.

FRANK DEGEORGE

Enclosures

Ann Bradley
Associate Administrator for Management Operations
National Aeronautics and Space Administration
400 Maryland Avenue, S.W.
Washington, D.C. 20546

Director, Division of Administration
National Labor Relations Board
1717 Pennsylvania Avenue, N.W.
Washington, D.C. 20570

Assistant Director for Administration
National Science Foundation
1800 "G" Street, N.W.
Washington, D.C. 20550

Director, Office of Management
Office of Personnel Management
1900 "E" Street, N.W.
Washington, D.C. 20415

James B. Lancaster, Jr.
Assistant Director for Administration and Finance
ACTION
806 Connecticut Avenue, N.W.
Washington, D.C. 20525

Harry E. Fitzwater ←
Deputy Director for Administration
Central Intelligence Agency
Washington, D.C. 20505

Bert Silver
Assistant Staff Director for Administration
Commission on Civil Rights
1121 Vermont Avenue, N.W.
Washington, D.C. 20425

Director, Office of Program Management
Consumer Product Safety Commission
1111 Eighteenth Street, N.W.
Washington, D.C. 20207

Executive Director
Equal Employment Opportunity Commission
2401 "E" Street, N.W.
Washington, D.C. 20506

Charles M. Girard
Associate Director for Resource Management
and Administration
Federal Emergency Management Agency
1725 "I" Street, N.W.
Washington, D.C. 20472

Director of Administration
Federal Labor Relations Authority
1900 "E" Street, N.W.
Washington, D.C. 20424

Associate Director for Management
International Communication Agency
1750 Pennsylvania Avenue, N.W.
Washington, D.C. 20547

Assistant Director for Administration
International Development Corporation Agency
320-21st Street, N.W.
Washington, D.C. 20523

Ernest Russell
Director, Division of Administration
National Labor Relations Board
1717 Pennsylvania Avenue, N.W.
Washington, D.C. 20570

Daniel J. Donoghue
Director of Administration
Nuclear Regulatory Commission
1717 "H" Street, N.W.
Washington, D.C. 20555

Executive Director
Securities and Exchange Commission
500 North Capitol Street
Washington, D.C. 20549

Associate Director for Administration
Selective Service System
606 "E" Street, N.W.
Washington, D.C. 20465

Assistant Administrator for Support Services
Small Business Administration
1441 "L" Street, N.W.
Washington, D.C. 20416

Assistant Secretary for Administration
The Smithsonian Institution
1000 Jefferson Drive, S.W.
Washington, D.C. 20560

Director, Office of Administration
Merit Systems Protection Board
1717 "H" Street, N.W.
Washington, D.C. 20419

Format and Organization of the Workshops

- o Individual workshops will be held during this session.
 - o IG and Assistant Secretary from same agency.
 - o At workshops explore specific opportunities for projects or other activities that can be undertaken jointly by the IGs and Assistant Secretaries. The major objective is intra-agency activities or projects on which an IG and Assistant Secretary can cooperate. In addition, interagency suggestions will be accepted where a common interest is identified.
 - o The projects should address needs raised during the earlier sessions of the conference or similar needs that you want to address. A list of possible issues for consideration is attached.
 - o The products of each workshop should be a proposal for a specific cooperative effort in each agency.
- Title, Objective, Scope
- o Approach and schedule developed and sent to us two weeks later.
 - o Ed Harper, Hal Steinberg, or a Council or ASMG staff person also will participate in each workshop.
 - o Each workshop chairman will provide a written summary of his workshop for the conference. A workshop recorder will be available to assist the chairman in preparing this summary.

List of Workshop Participants

The composition of the individual workshops has been designed to promote a wide array of experience, views, and perspectives. Workshop participants are shown on the attached list.

Possible Issues for Joint Opportunities Workshops

- o Joint Reviews Involving IG and Agency Management Analysis or Evaluation Staffs -- Leveraging Limited Resources.
- o Referral System for Transferring Appropriate Projects or Cases Between IGs and Assistant Secretaries.
- o Early Warning System for Communicating Review or Case Schedules Between IGs and Assistant Secretaries.
- o Mechanisms for Following-up On IG and Assistant Secretary Recommendations for Management Improvement.
- o Joint Undertakings to Develop or Improve Specific Internal Control Systems.
- o Cooperative Efforts to Develop both Tables of Administrative Sanctions and Penalties and a System of Rewards and Incentives.
- o Joint Efforts to Identify Agency Vulnerabilities and to Establish Priorities for Addressing Them.
- o Mechanisms for Assessing Program Efficiency for the Allocation of Agency Resources of the Budget Process.
- o A-123 Internal Controls
- o Vulnerability Assessments

Workshop Participants

Workshop 1 (Mock City)

John Horton (EPA) - Chair
Matt Novick (EPA)
Dick Mulberry (Interior)
Dick Hite (Interior)
John Graziano (Agriculture)
John Schrote (Agriculture)
Jim Fitzpatrick (OMB) *

Workshop 2 (Room 202)

Chuck Dempsey (HUD) - Chair
Judy Tardy (HUD)
Tom McBride (Labor)
Al Zuck (Labor)
Kent Lloyd (Education)
Jim Thomas (Education)
Dick Kusserow (HHS)
Tom McFee (HHS)
Ed Chase (OMB) *

Workshop 3 (Room 204)

Bob Fairman (DOT) - Chair
Joe Welsch (DOT)
June Brown (NASA)
Ann Bradley (NASA)
Jim Richards (Energy)
Bill Heffelfinger (Energy)
Howard Messner (OMB)
Cindy Miller (OMB) *

Workshop 4 (Room 211)

Sherman Funk (Commerce) - Chair
Arlene Triplett (Commerce)
Frank Sato (VA)
Frank DeGeorge (VA)
Cora Beebe (Treasury)
Paul Trause (Treasury)
Paul Boucher (SBA)
Bob Turnbull (SBA)
Oliver Taylor (OMB) *

Workshop 5 (Room 307)

Joe Sickon (GSA) - Chair
Ray Kline (GSA)
Kevin Rooney (Justice)
Bill VanStavoren (Justice)
Bill O'Connor (HHS - CSA)
Loretta Cornelius (OPM)
Alex Kozinski (MSPB)
Hal Steinberg (OMB)
Gary Katz (OMB) *

Workshop 6 (Room 308)

Jack Walter (OPM) - Chair
Herb Beckington (AID)
Tom Rollis (AID)
Tom Tracy (State)
Bob Brown (State)
Doc Cooke (DOD)
Joe Sherick (DOD)
Charlie Monroe (FBI)
Ed Preston (OMB)
Melissa Allen (OMB) *

*Workshop recorder

INSPECTOR GENERAL INFORMATION EXCHANGE SYSTEM
FOR DESIGNATED GRANTEES

- A. Definitions
 - B. Assumptions
 - C. Criteria for Designating Grantees
 - D. Exchange of Information Among the IGs
 - E. Action Upon Receipt of a Grantee Information Bulletin
 - F. System Evaluation
- Appendix I: Grantee Information Bulletin

November 23, 1981
DOC/IG

A. DEFINITIONS

1. Designated Grantees

Unless otherwise noted, a designated grantee is an organization, business firm or governmental jurisdiction which has been awarded, or is proposed to be awarded, a Federally-funded grant or cooperative agreement, and which:

- a. Has demonstrated a continuing pattern of handling Federal monies irresponsibly; and/or
- b. Has demonstrated a continuing pattern of failure to perform Federally required work satisfactorily; and/or
- c. Is demonstrably administered in such a way that its operations are highly susceptible to fraud, waste or abuse; and/or
- d. Is likely, for any other demonstrable reason, to pose a serious funding risk.

2. Grantee Information Bulletin

A Grantee Information Bulletin is the vehicle by which one Office of Inspector General (OIG) notifies other OIGs of information concerning a designated grantee.

B. ASSUMPTIONS

1. If an agency of the U.S. Government finds that one of its current or proposed grantees represents a serious potential risk, a formal mechanism should exist for conveying this information to concerned agencies so that they can take appropriate action to safeguard their interests. Such a system is intended to alert agencies to possible problems; it will not require them to take any adverse action with respect to designated grantees.

2. In the case of Federal contractors, such a mechanism will be available soon through the consolidated suspension and debarment lists authorized by the forthcoming revision of OMB Policy Letter 81-3. No comparable mechanism exists as yet for Federal grantees, recipients of Federal cooperative agreement funds, or recipients of Federal loans and loan guarantees. (Hereafter, for the purpose of this paper, cooperative agreements will be included with grants.)

3. The Inspector General network provides a ready means of:

a. Disseminating information among the agencies on potential risk grantees, and

b. Assuring, through the role of the IGs, that program managers will consider this information.

4. Any such an "early warning system" must contain policy and procedural safeguards that will:

a. Preclude the generation of a workload that would impose unacceptable resource requirements upon OIGs, and

b. Assure due process protection to each grantee flagged as a serious potential risk. In this regard, the system would (i) give each designated grantee an opportunity to respond to the underlying adverse information, (ii) provide each designated grantee with a copy of the Grantee Information Bulletin upon dissemination, and (iii) permit each designated grantee notice and an opportunity to respond to transmitted information, as appropriate.

5. The categorical grant area warrants inclusion in such an early warning system because of the high incidence of problem grantees, the availability of audit data, and the large potential of dollar savings produced by avoiding or effectively monitoring unusually risky grants. On the other hand, this area also poses special problems and constraints, e.g., diverse statutory and administrative requirements, politically "wired" grantees, and volatile constituencies.

6. An early warning system for high risk loans and loan guarantees will require more complex procedures than one for grants. Also, at least initially, it is likely to produce a

smaller pay-off. The system therefore should be tested just in the grants area and only if shown to be effective there should it be extended to loans and loan guarantees.

C. CRITERIA FOR DESIGNATING GRANTEES

At the discretion of the reporting OIG, grantees may be considered serious potential risks when they meet one or more of the following criteria:

1. The organization, business firm and/or officials or key employees have been convicted or indicted for:

a. Commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property.

b. Violations of the Organized Crime Control Act of 1970.

c. Commission of any other felony offense indicating a lack of business integrity or business honesty which seriously and directly affects their responsibilities under the grant.

2. Audits of the grantee within the preceding three years have reported, with no major disagreement by the responsible program agency:

a. A history of failure to perform, or grossly unsatisfactory performance of, grant work requirements;

b. Deficiencies in its accounting system or administrative controls grave enough to raise serious doubts whether the grantee can properly account for Federal funds it receives or use them effectively for their intended purpose;

c. Disallowance of 50% or more of grant funds expended;

d. A delinquency of \$50,000 or more in payments to the Internal Revenue Service for Federal income and FICA taxes withheld from employees, or a debt of \$100,000 or more owed to the U.S. Government for which no repayment plan acceptable to the Government has been established; and/or

e. Other adverse information of so compelling a nature as to raise serious questions about the grantee's integrity, and/or fiscal or professional responsibility. (The transmitting agency shall include an explanation.)

D. EXCHANGE OF INFORMATION AMONG THE IGS

1. When an OIG finds that a current or applicant grantee meets one or more of the criteria in Section C above, it will:

a. First, (except in the case of indictment or conviction), ensure that the grantee has had an opportunity to comment on the adverse information.

(1) Formal responses to audit reports, or written requests for comments even though not answered, satisfy this requirement.

(2) Prior opportunity to comment is not required in matters which already are public information, such as indictments and convictions.

b. Second, alert the other OIGs by sending them a Grantee Information Bulletin and, concurrently, sending a copy of the Bulletin to the grantee or applicant grantee.

2. Grantee Information Bulletins should contain a simple and standardized format (see Appendix I) that will:

a. Contain a notification similar to the following:

The purpose of this Bulletin is to advise other Federal agencies of critical problems encountered by this Federal agency with the grantee, grant applicant or proposed recipient identified below. This information may affect funding considerations.

When transmitted information serves as a basis for adverse action against a funded grantee, appropriate agency officials shall so notify the grantee, provide a suitable opportunity to respond, and consider such response.

Grant applicants or proposed recipients may submit, with their grant applications or proposals, a response to transmitted information, or may forward such response for inclusion with pending applications or proposals. Appropriate agency officials shall consider the response of a grant applicant or proposed recipient in making agency determinations.

b. Identify the name and address of the designated grantee.

c. Identify its principal area of activity for the reporting Department.

d. Identify key officials e.g., President, Executive Director, Chairman, Controller.

e. Identify which of the criteria in Section C above is/are applicable.

f. Either provide a brief explanation for each criterion identified or refer to an attached document (e.g., executive summary or highlights section of an audit report) which contains such an explanation.

g. Identify the reporting OIG, together with the name and telephone number of the OIG staff person to contact for further information.

3. Each OIG shall establish, and disseminate to the other OIGs, its central point of contact for receipt of Grantee Information Bulletins.

E. ACTION UPON RECEIPT OF A GRANTEE INFORMATION BULLETIN

1. Based upon review of a Bulletin and, in particular, upon the relevance and gravity of the information it contains, an OIG can take any of the following actions:

- a. Decide that no further measures need be taken.
- b. Request additional information from the point of contact listed.
- c. Refer it with no comment to the appropriate program agency(ies).
- d. Refer it to the appropriate program agency(ies), accompanied by a specific OIG recommendation, e.g., take a hard look, provide intensive monitoring, withdraw letter of credit, withhold funds, terminate.
- e. Either in conjunction with d. above or by itself, initiate a special review, audit or investigation, and/or monitor the activities of the program agency to ensure that it adequately addresses those conditions which caused the grantee to be flagged as a serious potential risk.
- f. Advise senior Department officials.

2. When transmitted information serves as a basis for adverse action against a funded grantee, appropriate agency officials shall so notify the grantee, provide a suitable opportunity to respond, and consider such response.

3. Responses to transmitted information that are submitted with grant applications or proposals by grant applicants or proposed recipients, or forwarded by them for inclusion with pending applications or proposals, shall be considered by appropriate agency officials in making agency determinations.

NOTE: Many agencies lack an automated system for retrieving grant data. Thus, it will not always be easy to determine whether the grantee is currently funded and by whom, much less whether it is being considered for funding. In most cases, however, the information contained in the Grantee Information Bulletin will be sufficient for the OIG at least to identify the program office(s) concerned, who can make these determinations.

F. SYSTEM EVALUATION

1. The early warning system for designated grantees should be tested by the OIGs for six months. At the end of this test, the participating IGs should submit a brief report to the President's Council on Integrity and Efficiency recommending:

- a. Termination of the system; or
- b. Extension of the test; or
- c. Full implementation, including appropriate coverage in OMB and agency directives.

2. At any time during the test or in their report to the Council, the participating IGs are encouraged to recommend modifications for improving the system.

3. If the collective experience of the participating IGs is that the system is useful and cost/beneficial, the Council will then consider extension of early warning procedures to the area of Federal loans and loan guarantees.

GRANTEE INFORMATION BULLETIN

The purpose of this Bulletin is to advise other Federal agencies of critical problems encountered by this Federal agency with the grantee, grant applicant or proposed recipient identified below. This information may affect funding considerations.

When transmitted information serves as a basis for adverse action against a funded grantee, appropriate agency officials shall so notify the grantee, provide a suitable opportunity to respond, and consider such response.

Grant applicants or proposed recipients may submit, with their grant applications or proposals, a response to transmitted information, or may forward such response for inclusion with pending applications or proposals. Appropriate agency officials shall consider the response of a grant applicant or proposed recipient in making agency determinations.

1. Reporting OIG: _____ 2. Date: _____

3. Name and address of grantee:

4. Principal area(s) of activity for the reporting agency:

5. Name(s) and title(s)/position(s) of key employee(s):

6. Factors warranting designation: (Check applicable box; see reverse side for description of factors)

| | | | |
|---------|---------|---------|---------|
| A 1 [] | A 3 [] | B 2 [] | B 4 [] |
| A 2 [] | B 1 [] | B 3 [] | B 5 [] |

7. Explanation of facts:

8. Person and telephone number to contact in reporting OIG for further information:

(Use continuation sheet if required)

FACTORS WARRANTING GRANTEE DESIGNATION

A. The organization, business firm and/or officials or key employees have been convicted or indicted for:

1. Commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property.

2. Violations of the Organized Crime Control Act of 1970.

3. Commission of any other felony offense indicating a lack of business integrity or business honesty which seriously and directly affects their responsibilities under the grant. (The transmitting agency shall include an explanation.)

B. Audits of the grantee within the preceding three years have reported, with no major disagreement by the responsible program agency:

1. A history of failure to perform, or grossly unsatisfactory performance of, grant work requirements;

2. Deficiencies in its accounting system or administrative controls grave enough to raise serious doubts whether the grantee can properly account for Federal funds it receives or use them effectively for their intended purpose;

3. Disallowance of 50% or more of grant funds expended;

4. A delinquency of \$50,000 or more in payments to the Internal Revenue Service for Federal income and FICA taxes withheld from employees, or a debt of \$100,000 or more owed to the U.S. Government for which no repayment plan acceptable to the Government has been established; and/or

5. Other adverse information of so compelling a nature as to raise serious questions about the grantee's integrity, and/or fiscal or professional responsibility. (The transmitting agency shall include an explanation.)

OVERVIEW OF MANAGEMENT IMPROVEMENT EFFORTS

A FRAMEWORK FOR LOOKING AT THE MANAGEMENT
IMPROVEMENT CHALLENGE

DECEMBER 1, 1981

PRESENTATION OVERVIEW

- OBJECTIVES OF PRESENTATION
- CHARACTERISTICS OF MANAGEMENT IMPROVEMENT CHALLENGE
- A SUGGESTED FRAMEWORK
 - FOR SCOPING AND ASSESSING THE CHALLENGE
 - FOR RELATING IMPROVEMENT ACTIVITIES TO THE CHALLENGE
- POSSIBLE NEXT STEPS

PRESENTATION OBJECTIVES

- STIMULATE DISCUSSION ABOUT ACTIONS TO
IMPROVE MANAGEMENT AND REDUCE FRAUD
AND WASTE

- PRESENT A FRAMEWORK FOR APPROACHING
THE MANAGEMENT IMPROVEMENT TASK
 - AT OMB, IG COUNCIL, AND
ASMG LEVEL
 - WITHIN EACH AGENCY AND
DEPARTMENT
 - JOINTLY OR INDEPENDENTLY

- DISCUSS MERITS OF APPROACH OR VARIATIONS
TO IT

[ILLUSTRATIVE: NOT A BASIS FOR DRAWING
CONCLUSIONS]

CHARACTERISTICS OF MANAGEMENT IMPROVEMENT CHALLENGE

- PRESIDENTIAL EMPHASIS ON IMPROVING MANAGEMENT AND REDUCING FRAUD AND WASTE
- SERIOUS PROBLEM
 - WASTE OF RESOURCES
 - EROSION OF PUBLIC CONFIDENCE
- GOVERNMENT-WIDE EFFORT HAS BEEN INITIATED
 - PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY
 - ASMG ACTIVITIES
 - IG ACTIVITIES
- NUMEROUS ACTIVITIES WITHIN DEPARTMENTS
- LIMITED RESOURCES TO ATTACK PROBLEM
 - GOVERNMENT-WIDE BASIS
 - WITHIN EACH AGENCY/DEPARTMENT

A FRAMEWORK FOR LOOKING AT THE CHALLENGE

- A SYSTEMATIC, COMPREHENSIVE APPROACH AT OMB LEVEL
 - WHAT ARE THE BASIC COMPONENTS OF PROBLEM?
 - CAN COMPONENTS BE BROKEN INTO MANAGEABLE PIECES?
 - HOW SERIOUS ARE THE PROBLEMS?

- HOW SOLVABLE ARE THE COMPONENT PROBLEMS?
 - CONTROLABILITY -- TECHNIQUE EXISTS
 - COST -- "POLITICALLY"

- OMB-LEVEL ACTIVITIES VERSUS PROBLEMS
 - ARE ALL COMPONENTS BEING ATTACKED?
 - ARE HIGH PAY-OFF PROBLEMS BEING ATTACKED?
 - ARE THE MOST SOLVABLE PROBLEMS BEING ATTACKED?
 - ARE THERE GAPS?

MATRIX FOR ASSESSING OMB-LEVEL ACTIVITIES VERSUS POTENTIAL PROBLEMS

| PROBLEM AREA CATEGORIES | PROBLEM SOLVABILITY | MANAGEMENT IMPROVEMENT AND FRAUD AND WASTE CAMPAIGN ACTIVITIES | | | |
|---------------------------------------|---------------------|--|-----------------------|-----------------|--------------------------------|
| | | OMB ACTIVITIES | IG COUNCIL ACTIVITIES | ASMG ACTIVITIES | POSSIBLE ADDITIONAL ACTIVITIES |
| 1. PRIORITY SETTING AND BUDGETING | | | | | |
| 2. ACCOUNTABILITY OF FEDERAL MANAGERS | | | | | |
| 3. CONTROL SYSTEMS AND PROCEDURES | | | | | |
| 4. DETERRENCE FRAUD AND WASTE | | | | | |

OBJECTIVES

- ARE ALL COMPONENTS OF PROBLEMS BEING ATTACKED?
- ARE THE MOST SOLVABLE PROBLEMS BEING ATTACKED?
- ARE THERE GAPS?
- POSSIBLE ADDITIONAL ACTIVITIES?

END: Indicates problem being addressed by current activity.

nd & s Indicates areas where additional initiatives might be undertaken to fill "gaps" in current activities.

nd & s Indicates those current and possible additional activities where it appears that a joint IG and ASMG effort would yield a high return.

A FRAMEWORK

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COMPONENTS OF MANAGEMENT IMPROVEMENT AND FRAUD AND WASTE CHALLENGE

| PROBLEM AREA | POTENTIAL PROBLEMS | CAUSE OF PROBLEM | SOLVABILITY OF PROBLEM |
|---------------------------------------|---|---|---|
| 1. PRIORITY SETTING AND BUDGETING | <ul style="list-style-type: none"> Insufficient Attention to Operational Feasibility in Authorizing New Programs Insufficient Attention to Efficiency in Making Budget and Program Reauthorization Decisions | <ul style="list-style-type: none"> Debate commonly relates to policy objectives, costs, allocation of costs among interest groups Few constituencies (in government or outside) have incentives to elevate issue of operational feasibility Evaluations not produced on a schedule to support decision-making Evaluations fail to adequately focus on operational efficiency and tend to concentrate primarily on effectiveness Reluctance to demonstrate major increases in efficiency because of fear of reductions in budgeted resources | <ul style="list-style-type: none"> Low Moderate |
| 2. ACCOUNTABILITY OF FEDERAL MANAGERS | <ul style="list-style-type: none"> Key Agency Managers Have a Programmatic Orientation Insufficient Linkage Between Responsibility and Authority for Resource Utilization and Control Difficulty in Evaluating Efficiency and Control of Resources in the Public Sector Compensation Not Tied to Control of Resources | <ul style="list-style-type: none"> Agency objectives are to effectively meet broad policy mandates and implement programs that work Relatively low standing of administrative units in agencies hierarchy Insufficient control of central administrative units over "program offices" or line operating units Insufficient input of program operations staff to policy-making functions Insufficient data to develop reliable standards and measure actual performance Job responsibilities frequently not structured in a manner which allows quantifiable performance standards Legislation governing compensation and work rules | <ul style="list-style-type: none"> Moderate Moderate Moderate Low |
| 3. CONTROL SYSTEMS AND PROCEDURES | <ul style="list-style-type: none"> Poorly Designed or Maintained Systems and Procedures Difficulty Recruiting and Retaining Management and Staff Insufficient Resources Allocated to Control Functions Inherently High Level of Fraud and Waste | <ul style="list-style-type: none"> Weak controls incorporated in systems and procedures, many of which may be deactivated over time Acceleration of systems, life cycle from insufficient maintenance, inability to procure equipment, staff turnover, poor documentation, etc. Insufficient security and periodic facilities audit Compensation below level of private sector for senior technical and financial managers and staff Expenditures on control system, detection and enforcement is viewed by many constituencies as "unproductive" Large expenditures on control call into question the effectiveness of the program and may lead to more probing analyses Difficult to measure payoff from increased controls because prior detection efforts have been inadequate Over control of some high visibility expenditures Suboptimal allocation of control resources among prevention, detection and enforcement activities Basic policy decisions or legislative mandates limit the ability to reduce leakage Decentralized operations and participation of many organizations in Federal programs | <ul style="list-style-type: none"> High Low High Moderate |
| 4. DETERRENCE OF FRAUD AND WASTE | <ul style="list-style-type: none"> Inefficiency in Planning and Conducting Audit Activities Relatively Low Frequency of Enforcement and Insufficient Sanctions and Penalties | <ul style="list-style-type: none"> Absence of a data base of historical audit and enforcement information Large percentage of resources assigned responding to complaints Shortage of adequately trained staff Inadequate linkage between audit finding and adjustment of control systems and operations Insufficient manpower to handle all cases Modest sanctions or penalties resulting from administrative actions Cost of each enforcement action may be relatively high | <ul style="list-style-type: none"> High Moderate |

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RECAP AND POSSIBLE NEXT STEPS

RECAP

- FRAMEWORK: COMPONENTS OF CHALLENGE AND CAMPAIGN ACTIVITIES
- AT OMB-LEVEL, GAPS AND OPPORTUNITIES TO WORK TOGETHER (ILLUSTRATIVE)

POSSIBLE NEXT STEPS

- ASMG AND IGs APPLY APPROACH AT GOVERNMENT-WIDE LEVEL
- JOINT EFFORT TO CONSTRUCT MATRICES WITHIN EACH AGENCY/DEPARTMENT
- USEFUL IN IDENTIFYING PROJECTS FOR ASMG AND IGs TO WORK TOGETHER ON